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June 5, 2007

Edwin M. Crawford
Chairman
c/o Corporate Secretary
CVS Caremark Corporation
One CVS/Caremark Drive
Woonsocket, RI 02895

Dear Mr. Crawford,

I am writing to you on behalf of the California Public Employees' Retirement System (CalPERS). CalPERS is the largest US Public Pension Fund with approximately \$240 billion in assets. We manage retirement benefits and health insurance on behalf of nearly 1.5 million members.

The purpose of this letter to you as Chairman of the CVS Caremark Corporation ("CVS") Board of Directors (the "Board") and elected representative of shareowners is to communicate CalPERS' concern with the 43% withhold vote received by director Roger Headrick at the Company's May 9, 2007 Annual Meeting. We wish to subsequently request that the Board strongly consider seeking the resignation of Mr. Headrick as a result of the significant withhold vote by the Company's shareowners. Our research indicates that in 2006 only 1% of the 3,380 directors up for election from S&P 500 companies received a withhold vote of greater than 35%. Therefore, the strong withhold vote at CVS conveys a statistically significant message from the shareowners that Mr. Headrick's continued tenure on the Board is unacceptable.

As a long-term CVS shareowner of approximately 6.6 million shares, CalPERS wishes to also express concern that the CVS Board likely included votes cast by brokers on behalf of uninstructed client shares in the final vote tally determination. As a result of these perceived actions by the Board, the actual vote results related to Mr. Headrick as disclosed in the Company's May 16, 2007 8K filing do not accurately reflect CVS shareowners' discontent for Mr. Headrick's continued service on the Board. CalPERS strongly believes that these so-called broker non-votes should solely be counted for quorum purposes only as broker non-votes do not effectively represent the true sentiment of a company's shareowners.

CalPERS and a significant number of fellow shareowners have spoken loud and clear through the use of the CVS proxy process by withholding our vote from Director Headrick. As such, it is disappointing that the Board under your leadership has failed to appropriately address not only the vote outcome related to Mr. Headrick but also the apparent concerted effort by the Board to not disclose the full vote results as it relates to votes cast by brokers on behalf of uninstructed client shares.

The clear lack of disregard by the CVS Board for shareowner sentiment toward Mr. Headrick and potential use of uninstructed broker voting to tilt the disclosed vote outcome against the will of a significant number of CVS investors signals a lack of accountability to the true owners of the Company – its shareowners.

CVS Caremark Corporation is in need of a focused, independent, and accountable Board of Directors to act on behalf of shareowners in order to transition its recent merger into a combined entity that creates sustainable long-term value. Director Headrick's failure as the Board's lead independent director to oversee shareowner's interests during the recent merger negotiations in conjunction with the strong withhold vote from the Company's shareowners provide valid support for why the CVS Board should seek his resignation.

Thank you for your consideration on this issue. We request that you present this letter on our behalf to your fellow CVS directors at the next scheduled meeting, and provide us with feedback from their discussion. If you need additional clarification please do not hesitate to contact me at (916) 795-2731.

Sincerely,

Dennis Johnson, CFA
Senior Portfolio Manager, Corporate Governance

cc: CVS Caremark Corporation Board of Directors
Russell Read, Chief Investment Officer – CalPERS
Christianna Wood, Senior Investment Officer – CalPERS
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